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<p style="text-align: right;">Page 206</p> <p>1 patient financial services.</p> <p>2 Q. And what job duties did Mr. Laing have in that</p> <p>3 role as the director of financial reporting</p> <p>4 within the patient financial services group?</p> <p>5 A. We published a series of daily, weekly, and</p> <p>6 monthly reports as far as various indicators of</p> <p>7 collection activity, et cetera, for the</p> <p>8 hospitals that we were performing the service</p> <p>9 for, and it was Mr. Laing's department which</p> <p>10 had maybe five or six people in it in total to</p> <p>11 be able to provide this information.</p> <p>12 Q. Do you recall when Mr. Laing started at AHERF?</p> <p>13 A. I believe it was in either May or June,</p> <p>14 probably June of 1995.</p> <p>15 Q. Do you recall who recruited Mr. Laing to AHERF?</p> <p>16 A. We ran an ad in the paper, a classified ad, I</p> <p>17 believe, in the Post-Gazette, I believe,</p> <p>18 advertising for the position; and at that</p> <p>19 particular point in time he was with UPMC, and</p> <p>20 he responded to the ad.</p> <p>21 He went through an interview process</p> <p>22 just like every other viable candidate, and he</p> <p>23 was the one who was selected for a position.</p> <p>24 Q. Did you make the decision to hire Mr. Laing?</p> <p>25 A. Yes.</p> <p style="text-align: center;">MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 208</p> <p>1 more someone who had more of a</p> <p>2 financial/analytical background to help assist</p> <p>3 in this area.</p> <p>4 Q. Specifically relating to the areas of accounts</p> <p>5 receivable and patient revenue and other issues</p> <p>6 particular to health care receivables?</p> <p>7 A. Yes.</p> <p>8 Q. Did you understand that Mr. Laing was</p> <p>9 particularly experienced in those areas?</p> <p>10 MR. LUFT: Objection.</p> <p>11 THE WITNESS: Yes.</p> <p>12 BY MR. TORBORG:</p> <p>13 Q. Now, you've worked at several different patient</p> <p>14 financial groups at health care systems.</p> <p>15 A. Yes.</p> <p>16 Q. You've worked at Cleveland Clinic twice and now</p> <p>17 Duke.</p> <p>18 A. Yes.</p> <p>19 Q. Is it typical for the patient financial</p> <p>20 services or the billing office to have someone</p> <p>21 in Mr. Laing's role?</p> <p>22 A. I don't know if it's typical in the industry,</p> <p>23 but it's something I have always insisted on</p> <p>24 everywhere I've worked.</p> <p>25 Q. Let me back up. At the other places you've</p> <p style="text-align: center;">MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 207</p> <p>1 Q. Did you have an understanding that Mr. Laing</p> <p>2 had an extensive background in accounts</p> <p>3 receivable and patient revenue issues when you</p> <p>4 hired him?</p> <p>5 A. Yes.</p> <p>6 Q. Why did you go about hiring someone like</p> <p>7 Mr. Laing to work under you at PFSG?</p> <p>8 MR. LUFT: Objection.</p> <p>9 THE WITNESS: Because I wanted to</p> <p>10 make sure that we had accurate -- bad choice of</p> <p>11 words -- that we had information available to</p> <p>12 us on a daily basis from an internal</p> <p>13 perspective again such as cash reports,</p> <p>14 productivity measurements, various AR reports.</p> <p>15 We were being asked to perform</p> <p>16 analysis on various swings or -- "swings" is,</p> <p>17 again, probably not a good choice of words, but</p> <p>18 various activities or flows within the accounts</p> <p>19 receivable on a month-to-month basis, and I</p> <p>20 needed some assistance in providing that</p> <p>21 analysis.</p> <p>22 BY MR. TORBORG:</p> <p>23 Q. You needed someone with a stronger accounting</p> <p>24 background than yourself?</p> <p>25 A. Not only a stronger accounting background, but</p> <p style="text-align: center;">MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 209</p> <p>1 worked, have you had occasion to interact with</p> <p>2 auditors, the outside auditors of the entity?</p> <p>3 A. Yes.</p> <p>4 Q. What has been the nature of those interactions?</p> <p>5 A. Very much similar to what we had at AHERF. The</p> <p>6 auditors would come in annually and do an</p> <p>7 audit, have a preaudit conference.</p> <p>8 We'd be given a list of documents we</p> <p>9 needed to supply, plus our annual reports,</p> <p>10 would be asked to provide a status on the</p> <p>11 various accounts that were selected at random,</p> <p>12 and we'd provide that information to the</p> <p>13 auditors and answer any questions and any audit</p> <p>14 comments that would come back.</p> <p>15 Q. During your time at AHERF, do you believe that</p> <p>16 Mr. Laing was a particularly fertile source of</p> <p>17 information regarding financial reporting</p> <p>18 issues in the accounts receivable and patient</p> <p>19 revenue areas?</p> <p>20 MR. LUFT: Objection.</p> <p>21 THE WITNESS: Yes.</p> <p>22 BY MR. TORBORG:</p> <p>23 Q. Would you have expected the outside auditors to</p> <p>24 ask Mr. Laing any questions, should they have</p> <p>25 any questions?</p> <p style="text-align: center;">MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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<p style="text-align: right;">Page 210</p> <p>1 A. I believe so, yes.</p> <p>2 Q. Why do you say that?</p> <p>3 A. Well, every time that we had the preconference</p> <p>4 audits, Russell was designated as the point</p> <p>5 person from a patient accounting perspective to</p> <p>6 interact with the auditors.</p> <p>7 If they needed anything, they would</p> <p>8 go to Russell. If they needed additional</p> <p>9 reports, Russell was to be the liaison with the</p> <p>10 audit fund.</p> <p>11 Q. What is the extent of your knowledge about what</p> <p>12 reports the patient financial services group</p> <p>13 gave to Coopers & Lybrand during</p> <p>14 Coopers & Lybrand's audits or other engagements</p> <p>15 of AHERF's receivables?</p> <p>16 A. We gave whatever we were asked for.</p> <p>17 Q. It wasn't just information relating to 25 or 30</p> <p>18 samples, was it?</p> <p>19 A. I believe --</p> <p>20 MR. LUFT: Objection.</p> <p>21 THE WITNESS: I believe there was a</p> <p>22 letter put out. I believe it's called a</p> <p>23 preaudit letter. I'm not sure of the exact</p> <p>24 title, but there was a letter produced for</p> <p>25 AHERF at the time, AHERF as a whole.</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 212</p> <p>1 Mr. Snow; and if you go on Page 47 to about the</p> <p>2 middle of the page where it says patient</p> <p>3 accounts receivable, have you had a chance to</p> <p>4 review the items that on that page that go</p> <p>5 to -- over to Page 48 until the subheading</p> <p>6 student accounts receivable?</p> <p>7 A. Yes.</p> <p>8 Q. How much involvement did you have personally in</p> <p>9 collecting this documentation and providing it</p> <p>10 to Coopers & Lybrand?</p> <p>11 A. Basically none. This would have been Russell</p> <p>12 and Bill Gedman's responsibility to provide</p> <p>13 this information.</p> <p>14 Q. Would some of the information listed on here</p> <p>15 also possibly come from the general accounting</p> <p>16 office, as well?</p> <p>17 A. Yes.</p> <p>18 MR. LUFT: Objection.</p> <p>19 Mr. Snow, I'll ask the same thing</p> <p>20 that Mr. Torborg asked of you. Give me time.</p> <p>21 THE WITNESS: Yes.</p> <p>22 MR. LUFT: Thank you.</p> <p>23 THE WITNESS: No problem.</p> <p>24 BY MR. TORBORG:</p> <p>25 Q. Is it fair to say you're not particularly</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 211</p> <p>1 I believe it was being managed from a</p> <p>2 general accounting perspective through a</p> <p>3 gentleman by the name of Jack London -- or</p> <p>4 Lydon, excuse me -- and of the documents that</p> <p>5 were provided, a subset of the data that was</p> <p>6 necessary came from -- was to come from patient</p> <p>7 and financial services.</p> <p>8 MR. TORBORG: Mr. Snow, I'd like to</p> <p>9 show you what has been previously marked as</p> <p>10 Exhibit 1312, and I think you'll tell me that</p> <p>11 this is the type of -- the type of a request</p> <p>12 that you were just referring to.</p> <p>13 ----</p> <p>14 (Deposition Exhibit No. 1312</p> <p>15 previously marked for identification.)</p> <p>16 ----</p> <p>17 THE WITNESS: Yes.</p> <p>18 BY MR. TORBORG:</p> <p>19 Q. And I'd like to specifically ask that you turn</p> <p>20 to the page that ends with the Bates number</p> <p>21 01347 in the bottom right-hand corner.</p> <p>22 A. Yes.</p> <p>23 Q. Just for the record, I know that Exhibit 1312</p> <p>24 is an April 18, 1997, memo from John Lydon to</p> <p>25 distribution and includes, among others,</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 213</p> <p>1 knowledgeable about the materials that</p> <p>2 Coopers & Lybrand would have received in</p> <p>3 conjunction with their audits of AHERF and its</p> <p>4 affiliates' receivables?</p> <p>5 A. No. I didn't say that. I just said it was</p> <p>6 someone else's responsibility to obtain the</p> <p>7 information that they requested to be able to</p> <p>8 provide to them.</p> <p>9 I think I'm, in most of these cases,</p> <p>10 very aware of what they were looking for.</p> <p>11 Q. Okay. Did you have an opinion on Mr. Laing's</p> <p>12 abilities as an accountant?</p> <p>13 A. I thought he was brilliant.</p> <p>14 Q. And why do you say that?</p> <p>15 A. When he took the CPA exam, I believe he was</p> <p>16 either -- had the second or third highest score</p> <p>17 that year in the State of Pennsylvania.</p> <p>18 Also, from an accounts receivable</p> <p>19 perspective, he had very insightful analysis in</p> <p>20 regards to fluctuations in receivables or</p> <p>21 changes in receivables. In my opinion, he</p> <p>22 added a tremendous amount of value.</p> <p>23 Q. Now, we've talked earlier about some of the</p> <p>24 substance abuse problems that Mr. Laing had.</p> <p>25 Did you think that that affected his</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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<p style="text-align: right;">Page 214</p> <p>1 performance in the various roles that he had in 2 the organization as you've previously described 3 them? 4 A. No. 5 Q. Do you think it would be fair for someone who 6 was assessing the credibility of Mr. Laing's 7 opinions or other findings in the area of 8 AHERF's accounts receivables to place 9 particular importance on any substance abuse 10 problems he might have had? 11 MR. LUFT: Objection. 12 THE WITNESS: No. 13 MR. TORBORG: Why do you say that? 14 MR. LUFT: Objection. 15 THE WITNESS: I don't think it 16 affected his work. 17 ---- 18 (Deposition Exhibit No. 1760 marked 19 for identification.) 20 ---- 21 MR. TORBORG: For the record, what 22 we've marked as Exhibit 1760 bears the Bates 23 numbers DDRAA 52476 through 84. 24 If you would take a quick look at 25 that, Mr. Snow -- MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 216</p> <p>1 were using was we would take 96 percent of net 2 revenue from 60 days prior plus three percent 3 of all AR over 90 days old, and that would 4 become our cash target for that particular 5 month. 6 So in this particular case we were 7 looking at March. We would use net revenue 8 numbers from January of 1996 as the basis to 9 establish the March, 1996, cash target. 10 Q. So they're based on net revenues as reported in 11 the monthly financial statements? 12 A. Yes. 13 Q. Do you have any concerns about that, the fact 14 that your targeted cash goals were based upon 15 the net revenues as reported in the monthly 16 financial statements? 17 A. I had no reason to question net revenues at 18 that time. 19 Q. Did you later have reason to question the net 20 revenues? 21 MR. LUFT: Objection. 22 THE WITNESS: I don't know. 23 BY MR. TORBORG: 24 Q. What would you need to know in order to answer 25 that question? Just your recollection MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 215</p> <p>1 ---- 2 (The witness reviewed the document.) 3 ---- 4 THE WITNESS: Yes. 5 BY MR. TORBORG: 6 Q. Are you familiar with this document? 7 A. Yes. 8 Q. I do note that your name is in the upper 9 right-hand corner of the document. 10 Can you explain what this document 11 is. 12 A. It's a daily cash report. 13 Q. What was the purpose of this? 14 A. This is a report that was implemented when I 15 first arrived to show monies received from the 16 various payors on a daily basis for a 17 particular month in time. 18 Down at the bottom, there is a 19 targeted cash goal, which is derived off of net 20 revenue from several months prior. It's a 21 formula I've been using for years. 22 Q. Let me follow up on that. Targeted cash goal; 23 can you explain what that is again? 24 A. It's a number that is derived from -- 25 I believe at the time the formula we MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 217</p> <p>1 refreshed or -- 2 A. No. It was just subjective. I believe at the 3 time, if anything, I thought that the net 4 revenues would be overstated because the 5 reserves, in my opinion, were not sufficient. 6 Q. Well, I'll certainly come back to that issue. 7 Do you know who developed these 8 reports? Was it automatically printed off a 9 system? 10 A. No. These were -- 11 This is a report that I had developed 12 five years prior to that, and it came with me 13 from a previous job, and they were 14 manual-generated reports on a daily basis 15 within Russell Laing's area. 16 Q. Who all within AHERF, if you know, would have 17 received this document or documents similar to 18 it? 19 A. Everyone within PFSG would have received these 20 documents. They were specifically sent to Joe 21 Dionisio on a daily basis and were available to 22 anybody within AHERF who would request them, 23 and it was widely known that these reports 24 existed. 25 Q. Now, I think we saw earlier a monthly report, I MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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<p style="text-align: right;">Page 218</p> <p>1 believe marked as Exhibit 902. I want to ask 2 you to get it out. 3 Did you keep a binder of those 4 monthly reports in your office? 5 It's Exhibit 902. It had a cover 6 memo from Mr. Gedman -- 7 A. Okay. 8 Q. -- if that helps you remember what it is. 9 A. Yes. Sure. If I didn't have it in my office, 10 I had access to them on a -- within five 11 minutes. 12 Q. Did you, likewise, keep copies of the daily 13 cash summaries? 14 A. Same thing. 15 Q. Okay. Do you know if Coopers & Lybrand, as 16 AHERF's outside auditors, ever asked for or 17 received either of these two documents? 18 A. I don't know. 19 Q. If they would have asked for them, would you 20 have provided it to them? 21 MR. LUFT: Objection. 22 THE WITNESS: Yes. 23 MR. TORBORG: Do you have any doubts 24 about the accuracy of the amounts actually 25 reported as cash collections on the schedule? MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 220</p> <p>1 Q. And would it help them determine if the revenue 2 reported was consistent with the cash -- the 3 amount of cash collected? 4 MR. LUFT: Objection. 5 THE WITNESS: I believe they're 6 requesting it in most cases to verify the 7 receivables and the collectibility of the 8 receivables. 9 MR. TORBORG: So are they using it in 10 the context of evaluating or supporting the bad 11 debt reserves? 12 MR. LUFT: Objection. 13 MR. TORBORG: Do you understand my 14 question? 15 MR. LUFT: Objection. 16 THE WITNESS: Could you repeat the 17 question, please. 18 MR. TORBORG: Do you know if the 19 auditors auditing the Duke University Health 20 System and Cleveland Clinic are using the 21 collection information such as we see in 22 Exhibit 1760 to evaluate the sufficiency of the 23 bad debt reserves? 24 MR. LUFT: Objection. 25 THE WITNESS: I don't believe the MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 219</p> <p>1 MR. LUFT: Objection. 2 THE WITNESS: No. 3 BY MR. TORBORG: 4 Q. In your work with other health care companies, 5 have you had occasion to provide collection 6 information to outside auditors? 7 A. Yes. 8 Q. And let me ask a few follow-ups on that. 9 Number one, what particular entity or 10 what particular job was that in? 11 A. Cleveland Clinic and Duke. 12 Q. Okay. And to the best of your knowledge, why 13 did they want that information? 14 MR. LUFT: Objection. 15 THE WITNESS: Could you rephrase the 16 question or re-ask it, repeat the question, 17 please. 18 BY MR. TORBORG: 19 Q. Do you know why the auditors auditing the 20 Cleveland Clinic and the Duke Medical System -- 21 A. The University Health System. 22 Q. -- University Health System -- sorry -- why 23 they requested collection information such as 24 this? 25 A. It's part of their standard annual audit. MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 221</p> <p>1 report labeled 1760 would help you evaluate bad 2 debt reserves, but evaluating bad debt reserves 3 is part of any standard audit. 4 MR. TORBORG: What would you do to 5 evaluate the sufficiency of bad debt reserves? 6 MR. LUFT: Objection. 7 THE WITNESS: I'd define final 8 collectibility analysis and also look at a 9 thing called zero balance analysis. 10 ---- 11 (There was a discussion off the record.) 12 ---- 13 THE WITNESS: Zero balance analysis. 14 BY MR. TORBORG: 15 Q. Okay. Let me follow up on those one at a time. 16 What's a zero balance analysis? 17 A. You can take your accounts where the balances 18 have been reduced to zero over a period of time 19 and determine the historical credibility of the 20 accounts in question. 21 Q. The second item you said is looking at 22 collection information. 23 A. We pull a sampling of the accounts and 24 determine if the accounts have been worked in 25 an attempt to determine the collectibility and MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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1 MR. LUFT: Objection.
 2 THE WITNESS: I don't remember.
 3 Sorry.
 4 MR. TORBORG: Do you think if they
 5 had asked for that information, you would know
 6 about it?
 7 MR. LUFT: Objection.
 8 THE WITNESS: If anyone had asked for
 9 information, we would have provided it at the
 10 time. I just don't remember in that particular
 11 instance if it was asked for or not.
 12 MR. TORBORG: I want to mark this as
 13 our next exhibit. We'll mark this as our next
 14 Exhibit, 1762.
 15 ----
 16 (Deposition Exhibit No. 1762 marked
 17 for identification.)
 18 ----
 19 MR. TORBORG: I'll note for the
 20 record what we have marked as Exhibit 1762
 21 appears to be a May 30, 1996, memorandum from
 22 Zack Allison to a number of people, including
 23 Mr. Snow. Just let me know when you've had a
 24 chance to just briefly glance at that memo.
 25 ----
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1 to be a function of a more thorough review of
 2 utilization and authorization criteria, strict
 3 eligibility requirements, and strict
 4 informational needs.
 5 Is that language consistent with your
 6 recollection regarding the rejection of rates
 7 of managed care payors?
 8 A. Yes.
 9 Q. I think you testified earlier that managed care
 10 had a much higher penetration in the
 11 Philadelphia market than they did in the
 12 Pittsburgh market.
 13 A. Yes.
 14 Q. Do you recall if there was ever any discussion
 15 about the need to increase the bad debt expense
 16 at the Philadelphia area hospitals to take into
 17 account a phenomena such as this?
 18 MR. LUFT: Objection.
 19 THE WITNESS: Yes.
 20 BY MR. TORBORG:
 21 Q. Okay. What discussions do you remember about
 22 that topic?
 23 A. There were numerous discussions, but the one
 24 that sticks out the most in my mind was, and I
 25 don't remember the exact time frame, but I
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1 ----
 2 (The witness reviewed the document.)
 3 ----
 4 THE WITNESS: Okay.
 5 BY MR. TORBORG:
 6 Q. Do you recall this document?
 7 A. Yes.
 8 Q. Was this a document that was prepared on a
 9 regular basis?
 10 A. We were attempting to prepare this on a regular
 11 basis. I do not remember the exact frequency
 12 of how and when it was produced.
 13 Q. And do you recall if anyone requested this
 14 analysis be done? Do you know who it was that
 15 requested that this be done?
 16 A. Me.
 17 Q. You?
 18 A. Yes.
 19 Q. And I'd like to draw your attention to the
 20 third paragraph about halfway through. There
 21 is some language there, managed care payors
 22 continue to reject more claims than any other
 23 financial class.
 24 Their near 50 percent rejection rate
 25 for both inpatient and outpatient claims seems
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1 believe it was in calendar year 1997, and it
 2 was centering around -- I believe it had to be
 3 like in the April or May time frame of 1997
 4 with respect to the bad debt -- with respect to
 5 budgets and, therefore, the bad debt budget for
 6 the upcoming fiscal year.
 7 I believe earlier I had testified
 8 that the bad debt budget for Hahnemann for bad
 9 debt charity care was about \$200,000 a month,
 10 and according to national averages, it should
 11 have been somewhere in the \$4 million to
 12 \$5 million range.
 13 At the time Mr. Morrison and
 14 Mr. Dionisio and myself and I believe at that
 15 point in time --
 16 I don't remember if Ron Longabucco
 17 was there or not, but he might have been. I
 18 don't remember when he was hired, but Russell
 19 Laing was certainly there.
 20 We basically pointed out that the bad
 21 debt budget for the coming year for Hahnemann
 22 was insufficient, and we were told, instructed
 23 at that time, that that would be taken up with
 24 Mr. Abdelhak and Mr. McConnell.
 25 The next time we met, which I believe
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<p style="text-align: right;">Page 250</p> <p>1 was several weeks later, we inquired as far as</p> <p>2 the outcome of their discussions as far as</p> <p>3 increasing bad debt, the bad debt expense, and</p> <p>4 we were told it wasn't going to happen because</p> <p>5 Mr. Abdelhak would not approve it saying that</p> <p>6 he couldn't afford it, and we'd have to take</p> <p>7 care of it next year.</p> <p>8 Q. When you say Mr. Abdelhak said he couldn't</p> <p>9 afford it, does that mean the financial</p> <p>10 statements and purported performance couldn't</p> <p>11 afford it?</p> <p>12 A. That was my understanding.</p> <p>13 MR. LUFT: Objection.</p> <p>14 MR. TORBORG: In other words, raising</p> <p>15 bad debt expense to sufficient levels would</p> <p>16 lower the bad debt expense sufficiently to</p> <p>17 Mr. Abdelhak.</p> <p>18 MR. LUFT: Objection.</p> <p>19 THE WITNESS: That was my</p> <p>20 understanding.</p> <p>21 BY MR. TORBORG:</p> <p>22 Q. Ever face that problem at any other hospital</p> <p>23 system that you worked at?</p> <p>24 A. Faced what problem?</p> <p>25 Q. Faced the problem of limitations on the amount</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 252</p> <p>1 A. That was tough.</p> <p>2 Q. Do you recall whether you yourself or, to your</p> <p>3 knowledge, anyone else at AHERF ever discussed</p> <p>4 the concerns about inadequate bad debt expense</p> <p>5 with Coopers & Lybrand?</p> <p>6 A. I never discussed it with them, and I don't</p> <p>7 know whether anyone else did or not.</p> <p>8 Q. You testified earlier, I think, Mr. Snow, that</p> <p>9 you wrote off some receivables off Hahnemann</p> <p>10 University Hospital in the late summer to fall</p> <p>11 of 1995 upon taking over the billing and</p> <p>12 collection operations of that entity.</p> <p>13 A. Yes.</p> <p>14 Q. I think you recalled that without prompting.</p> <p>15 Any reason why it still sticks in your head?</p> <p>16 A. No.</p> <p>17 Q. What process did you do to analyze whether the</p> <p>18 accounts you wrote off were, in fact,</p> <p>19 uncollectible?</p> <p>20 A. The first was a timeliness test.</p> <p>21 Q. And what do you mean by that?</p> <p>22 A. On a payer-by-payer basis comparing the dates</p> <p>23 of service with statute of limitations for each</p> <p>24 respective payor.</p> <p>25 The second piece was we ran reports</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 251</p> <p>1 of bad debt expense to be recorded based on</p> <p>2 considerations on how it would affect the --</p> <p>3 the reported financial performance identity?</p> <p>4 A. No.</p> <p>5 Q. Is that your handwriting at the bottom of the</p> <p>6 page, sent to Joe, David, and Chuck?</p> <p>7 A. Yes.</p> <p>8 Q. Do you recall whether --</p> <p>9 And I presume Joe is Joe Dionisio,</p> <p>10 David is David McConnell, and Chuck is Chuck</p> <p>11 Morrison.</p> <p>12 A. Yes.</p> <p>13 Q. Do you recall if they had asked for this</p> <p>14 analysis?</p> <p>15 A. I don't remember, but I don't believe so.</p> <p>16 Q. Do you recall whether you yourself or, to your</p> <p>17 knowledge, anyone else at AHERF ever discussed</p> <p>18 the concerns about an inadequate bad debt</p> <p>19 expense with Coopers & Lybrand?</p> <p>20 MR. LUFT: Objection.</p> <p>21 THE WITNESS: Could you repeat the</p> <p>22 question, please.</p> <p>23 BY MR. TORBORG:</p> <p>24 Q. That was pretty artful. I'm going to have to</p> <p>25 read it off the screen.</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 253</p> <p>1 to determine if accounts had been -- that there</p> <p>2 was a payment on the account with no</p> <p>3 corresponding contractual where there were</p> <p>4 different transaction codes, so it was a</p> <p>5 relatively easy report to run.</p> <p>6 It was a payment posting issue in the</p> <p>7 Delaware Valley when I arrived, in other words,</p> <p>8 what was happening was that the accounts were</p> <p>9 not being netted down at the time of final</p> <p>10 billing for contractuals, and when payments</p> <p>11 were coming in or arriving, the payment would</p> <p>12 be posted and the contractual would not be --</p> <p>13 was being overlooked by the payment-poster at</p> <p>14 that point in time; so, therefore, it was</p> <p>15 balances still being carried on the accounts</p> <p>16 that were inaccurate.</p> <p>17 Q. Who specifically was doing that analysis? Do</p> <p>18 you remember?</p> <p>19 A. I had a variety of different people doing it at</p> <p>20 the time because the third step of this was to,</p> <p>21 as people were going through reviewing accounts</p> <p>22 and making collection calls, they were to</p> <p>23 provide documentation or notes on accounts that</p> <p>24 were -- they deemed to be uncollectible.</p> <p>25 Q. Do you recall roughly the amount of write-off</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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<p style="text-align: right;">Page 254</p> <p>1 involved with Hahnemann in the summer -- late 2 summer, early fall, time frame of 1995? 3 A. I believe we wrote off somewhere between 4 \$10 million to \$16 million prior to being told 5 to stop, but I'm not sure of the exact number. 6 Q. Is there any doubt in your mind that those 7 amounts that you wrote off were, in fact, 8 uncollectible accounts? 9 A. There's no doubt whatsoever. 10 Q. Did you come during your tenure at AHERF to 11 hear the notion that PFSG was writing off 12 collectible accounts? 13 A. Yes. 14 Q. Who did you hear those -- 15 A. General accounting and more specifically Steve 16 Spargo. 17 Q. Do you recall the time frame that he was making 18 those complaints? 19 A. No. I'm sorry. I do not. 20 Q. Was it something that was fairly frequent 21 during your time at AHERF? 22 A. What do you mean "frequent"? What was 23 "frequent"? 24 Q. The complaints that PFSG was writing off 25 accounts that were collectible. MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 256</p> <p>1 MR. LUFT: Objection. 2 THE WITNESS: I can't answer that. I 3 don't know. 4 BY MR. TORBORG: 5 Q. You don't know. Okay. 6 What was your reaction to the notion 7 that PFSG was writing off collectible accounts? 8 A. It was bogus, and I asked people to prove it. 9 Q. Was anyone ever able to prove it? 10 A. No. I believe, just to add something to that, 11 I believe that again, going back to some of the 12 previous exhibits, yes, we were writing items 13 off which we deemed to be uncollectible, and 14 people don't want to hear about the fact that 15 their intake processes were lacking. 16 Q. And that's the real problem that you referred 17 to earlier? 18 A. Yes. In other words, the real problem was 19 there was a sufficiency in the operations of 20 the respective hospitals. Patient accounting, 21 to use an example, is like a funnel. Patient 22 accounting is at the bottom of that funnel. 23 Anytime anyone up above that makes a mistake, 24 it ultimately ends up in patient accounting, 25 and patient accounting is a very convenient MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 255</p> <p>1 A. I mean, I heard it. I would say yes, we heard 2 it on a frequent basis, and I think there 3 were -- 4 We were hearing it for several 5 reasons. One, it was, in my opinion, a 6 diversionary tactic to try to shift 7 responsibility away from the real problem; and 8 the other thing, I believe that it was -- 9 There was, in doing that much in the 10 way of write-offs at Hahnemann, it was a direct 11 reflection upon the due diligence that was done 12 at the time of the acquisition of Hahnemann, 13 and Mr. Spargo was in charge of the due 14 diligence. 15 Q. Meaning that you believe it's possible that 16 insufficient reserves were set up during the 17 due diligence process? 18 MR. LUFT: Objection. 19 THE WITNESS: I believe they didn't 20 do a very thorough job of analyzing the 21 accounts receivable during the acquisition of 22 Hahnemann. 23 MR. TORBORG: Either that or they had 24 already used all the reserves that they would 25 have set up. MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 257</p> <p>1 place to say, well, we did our job but they're 2 not. They're not collecting. 3 Well, I believe you'll notice in many 4 of these reports it talks about the lack of 5 quality data and data-gathering. 6 That, to me, is an operational issue 7 and is paramount to the success of a patient 8 accounting department. 9 Q. Now, these deficiencies that you just 10 explained, these are things that are fixable. 11 A. Yes. 12 Q. Right? 13 A. Yes. 14 Q. If pressure is brought to bear, these are 15 things that could be improved? 16 MR. LUFT: Objection. 17 THE WITNESS: It would be helpful if 18 you weren't in denial, so -- 19 BY MR. TORBORG: 20 Q. Mr. Luft asked you earlier some questions about 21 the various performance statistics that PFSG 22 would be measured upon, and I believe that one 23 of them was days revenue outstanding. 24 A. Yes. 25 Q. Now, would writing off improve that MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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1 measurement?

2 A. As previously stated, yes.

3 Q. Did you ever write off collectible accounts for

4 the sole purpose of improving that ratio?

5 A. No, because as previously stated, I didn't

6 believe in the ratio to start with, so why

7 would I want to do anything to improve it?

8 Q. Your most important goal was generating cash?

9 A. Our job was to collect as much money as humanly

10 possible.

11 Q. And writing off direct accounts is in direct

12 conflict with doing that?

13 A. In my opinion, yes.

14 MR. TORBORG: I'd like to show what

15 we've previously marked as Exhibit 822. I

16 suspect you've seen this document before

17 -----

18 (Deposition Exhibit No. 822

19 previously marked for identification.)

20 -----

21 (The witness reviewed the document.)

22 -----

23 BY MR. TORBORG:

24 Q. For the record, Exhibit 822 is an October 2nd,

25 1995, memorandum from Gregory Snow to Joseph

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1 Dionisio.

2 Mr. Snow, do you recall this

3 document?

4 A. Yes.

5 Q. And I think you'll tell me that this document

6 memorializes something you said more than once

7 today, which is you were given direction not to

8 write off accounts with dates of service prior

9 to July 1, 1995 --

10 A. That's correct.

11 Q. -- for any reason.

12 A. That's correct.

13 Q. Why did you write this memo to Mr. Dionisio?

14 A. Two reasons. One, to have a paper trail and

15 documentation if that decision ever was

16 called -- or if that action was ever called

17 into question, and also Mr. Dionisio instructed

18 me to write the memo.

19 Q. Do you recall whether it was, if you know,

20 Mr. Dionisio's decision to require you to stop

21 writing off these accounts or whether it was

22 someone else's decision?

23 A. It was Mr. McConnell's decision.

24 Q. And you recall that from a meeting you

25 testified about earlier that was in McConnell's

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1 office?

2 A. It was in the Clark Building on a Friday. It

3 was McConnell's staff meeting.

4 MR. LUFT: Objection.

5 THE WITNESS: And I was invited to

6 the meeting to give an update on receivables

7 and basically to be instructed not to perform

8 this task any longer, and I believe it was on

9 the third floor conference room of the Clark

10 Building.

11 BY MR. TORBORG:

12 Q. Do you recall who all was at that meeting?

13 A. Mr. McConnell, Mr. Dionisio, Mr. Morrison,

14 Mr. Spargo -- I forget the lady's name --

15 Diane. She was the head of internal audit.

16 Q. Schrecengost?

17 A. Yes, thank you; Rene Sutay, who I believe was

18 the administrator for the Ohio Valley at the

19 time.

20 I don't remember if anyone else was

21 there or not. It was a full room. There had

22 to be anywhere from five to ten people in the

23 room at the time.

24 Q. Do you recall whether anyone expressed

25 disagreement with this new rule not to write

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1 off accounts with dates of service prior to

2 July 1, 1995?

3 A. Other than myself, no.

4 Q. What disagreement did you express then?

5 A. I believe at the time I stated something to the

6 effect that I thought it was wrong, and all it

7 was going to do was continue to clutter up the

8 active receivables, and that we were going to

9 have collectors that were going to be tripping

10 over these accounts on a regular basis because

11 they were still residing in active, so they

12 were residing in our collector work files.

13 Q. Do you think the fact that these accounts were

14 still sitting on the books impeded the

15 collection efforts on other receivables?

16 A. It wasted time.

17 Q. Do you believe that it impacted the amount of

18 cash that came in the door?

19 A. It had the potential. I can't tell you

20 specifically if it did reduce cash, but it

21 certainly wasted time of collectors that could

22 be working towards accounts that had balances

23 that could be collected

24 MR. TORBORG: I'd like to show you

25 what we've marked as Exhibit 823.

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1 -----
 2 (Deposition Exhibit No. 823
 3 previously marked for identification.)
 4 -----
 5 (The witness reviewed the document.)
 6 -----
 7 MR. TORBORG: If you would, take a
 8 look at that document, including the
 9 handwritten note toward the bottom of the page.
 10 For the record, I'll note that
 11 Exhibit 823 is a March 25, 1996, memorandum
 12 from Gregory Snow to Joseph Dionisio.
 13 MR. LUFT: The date you just said,
 14 did you mean 1996?
 15 MR. TORBORG: I did mean that. Did I
 16 say something else?
 17 -----
 18 (There was a discussion off the record.)
 19 -----
 20 MR. TORBORG: See, he's trying to get
 21 me back.
 22 THE WITNESS: Okay.
 23 BY MR. TORBORG:
 24 Q. Do you recall this document, Mr. Snow?
 25 A. Yes.
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

1 Mr. Spargo's handwriting?
 2 A. No. I believe --
 3 Q. The one that starts with Greg Snow, please
 4 note?
 5 A. I don't know whose handwriting it is. I'm
 6 sorry.
 7 Q. Okay. Whoever wrote that, and I think
 8 Mr. Spargo has testified that he, in fact,
 9 wrote the note --
 10 A. Okay.
 11 Q. -- it says please note Mr. McConnell's
 12 approval above, which is in recognition of the
 13 fact that the referenced account balances are
 14 actually, quote, missed, end quote, contractual
 15 allowances, and then it continues. Do you
 16 recall that --
 17 Well, let me back up. Strike that.
 18 What was the policy if AHERF received
 19 a payment on one of these accounts dated prior
 20 to July 1, 1995, regarding the ability to write
 21 off any remaining balance after payment was
 22 received?
 23 A. If there was a full balance on the account
 24 prior to today -- dates of service prior to
 25 July 1, 1995, and a payment was received at a
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1 Q. Now, in this document, the circled paragraph
 2 reaffirms what you've written in Exhibit 822.
 3 Right?
 4 MR. LUFT: Objection.
 5 THE WITNESS: Yes.
 6 MR. TORBORG: Actually, it's a little
 7 different. This one says on October 18, '95, I
 8 was informed by Mr. McConnell and yourself not
 9 to write off any accounts prior to July 1,
 10 whereas your other one refers to a conversation
 11 on Friday, September 29.
 12 MR. LUFT: Objection.
 13 MR. TORBORG: What's the nature of
 14 the objection? What am I missing here?
 15 MR. LUFT: I believe the way you're
 16 stating the document is incomplete. You
 17 stopped mid sentence for the last few words of
 18 the sentence you were reading.
 19 MR. TORBORG: Okay.
 20 THE WITNESS: I made a mistake on
 21 Exhibit 823 with respect to the dates in the
 22 circled paragraph.
 23 BY MR. TORBORG:
 24 Q. My next question focuses on the note, the
 25 handwritten note. Do you recognize that to be
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

1 later time, the payment in would be posted to
 2 the account, and the contractual would be taken
 3 at the same time.
 4 We did not have the ability to go
 5 back and clear up any accounts that had missed
 6 contractals prior to those dates of service or
 7 the payment had already been posted prior to
 8 July 1st, 1995, also.
 9 Q. So you wouldn't be allowed to do a review of
 10 the accounts to determine any balances that
 11 might represent contractual allowances had
 12 probably not been taken and then write them
 13 off?
 14 A. We performed a review. We knew they existed
 15 and there were missed contractals out there,
 16 and we were not allowed to do anything about
 17 it.
 18 MR. TORBORG: I'm about ready to go
 19 on to a new subject. It's right about five, so
 20 maybe it's a good time to break for the day.
 21 We'll convene tomorrow.
 22 THE VIDEOGRAPHER: We're now going
 23 off the record. The time is 5:01 P.M.
 24 MR. LUFT: Thank you, Mr. Snow.
 25 MR. TORBORG: Thank you Mr. Snow.
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1 ----
 2 (The proceedings were recessed at 5:03 p.m.)
 3 ----

MANHATTAN REPORTING CORP., A LEGALINK COMPANY

1 COMMONWEALTH OF PENNSYLVANIA) ERRATA
 2 COUNTY OF ALLEGHENY) SHEET

3 I, GREGORY SNOW, have read the foregoing pages
 4 of my deposition given on Friday, July 25, 2003, and
 5 wish to make the following, if any, amendments,
 6 additions, deletions or corrections:

7 Page/Line Should Read Reason for Change

18 In all other respects, the transcript is true and
 19 correct.

20 _____
 21 GREGORY SNOW

22 Subscribed and sworn to before me this
 23 _____ day of _____, 2003.

24 _____
 25 Notary Public
 AKF Reference No. Gd76542
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE
 2 COUNTY OF ALLEGHENY) SS:

3 I, G. Donavich, RPR, CRR, a Court Reporter and
 4 Notary Public in and for the Commonwealth of
 5 Pennsylvania, do hereby certify that the witness,
 6 GREGORY SNOW, was by me first duly sworn to testify
 7 to the truth, the whole truth, and nothing but the
 8 truth; that the foregoing deposition was taken at the
 9 time and place stated herein; and that the said
 10 deposition was recorded stenographically by me and
 11 then reduced to printing under my direction, and
 12 constitutes a true record of the testimony given by
 13 said witness.

14 I further certify that I am not a relative or
 15 employee of any of the parties, or a relative or
 16 employee of either counsel, and that I am in no way
 17 interested directly or indirectly in this action.

18 IN WITNESS WHEREOF, I have hereunto set my hand
 19 and affixed my seal of office this 27th day of July,
 20 2003.

21 _____
 22 Notary Public

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68 (Pages 266 to 268)

In The Matter Of:

***AHERF v.
PRICEWATERHOUSECOOPERS, L.L.P.***

GREGORY SNOW
July 26, 2003

LEGALINK MANHATTAN
420 Lexington Avenue - Suite 2108
New York, NY 10170
PH: 212-557-7400 / FAX: 212-692-9171

SNOW, GREGORY



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A WORDWAVE COMPANY

GREGORY SNOW

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1 VIDEO TAPE DEPOSITION OF GREGORY M. SNOW,
2 a witness, called by the Defendant for examination,
3 in accordance with the Federal Rules of Civil
4 Procedure, taken by and before Claire Gross, CRR,
5 RDR, a Court Reporter and Notary Public in and for
6 the Commonwealth of Pennsylvania, at the offices of
7 MANION McDONOUGH & LUCAS, 14th Floor, USX Tower,
8 Pittsburgh, PA 15219, on Saturday, July 26, 2003,
9 commencing at 8:06 a.m.

10 -----

APPEARANCES:

FOR THE PLAINTIFF:

11 David S. Torborg, Esq.
12 JONES DAY REAVIS & POGUE
13 51 Louisiana Avenue, N.W.
14 Washington, D.C. 20001-2113
15 202-879-3939

FOR THE DEFENDANT:

16 Avram E. Luft, Esq.
17 CRAVATH, SWAINE & MOORE, LLP
18 Worldwide Plaza
19 825 Eighth Avenue
20 New York, NY 10019
21 212-474-1296
22 412-232-0200

FOR THE WITNESS:

23 Charles A. De Monaco, Esq.
24 DICKIE McCAMEY & CHILCOTE
25 Two PPG Place, Suite 400
Pittsburgh, PA 15222
412-281-7272

ALSO PRESENT:

Ken Ingersoll, videographer

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Deposition Exhibit 822
Deposition Exhibit 823
Deposition Exhibit 901
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Deposition Exhibit 905
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GREGORY M. SNOW,
being first duly sworn,
was examined and testified as follows:

EXAMINATION

THE VIDEOGRAPHER: This is day two,
tape number one, of the deposition of Gregory
Snow. We are now going back on the record.
The time is 8:06 a.m.

BY MR. TORBORG:

Q. Good morning, Mr. Snow.

A. Good morning.

Q. Yesterday you gave some testimony to the
effect that you were afraid to inform Coopers
& Lybrand that you had certain concerns about
the uncollectability of accounts. Do you
remember?

A. Yes.

Q. And I believe you said you had concerns over
whether you would stay employed at AHERF
should you have revealed your concerns?

A. Yes.

Q. I want to follow up on a couple of points on
that. Number one, do you recall whether

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1 anyone at AHERF was ever terminated for
 2 giving information to Coopers & Lybrand?
 3 A. I'm not aware of any situations, no.
 4 Q. And I believe you also made a distinction
 5 yesterday that you never volunteered
 6 information to Coopers & Lybrand?
 7 A. That's correct.
 8 Q. Do you recall whether Coopers & Lybrand ever
 9 asked you whether you had any concerns about
 10 the collectability of certain accounts?
 11 A. No. To the best of my knowledge I was never
 12 asked.
 13 Q. Did Coopers & Lybrand ever ask you any
 14 questions more generally about your concerns
 15 about the collectability of accounts?
 16 MR. LUFT: Objection.
 17 A. I don't believe so. I believe that the only
 18 questions that were ever asked were with
 19 relation to the specific accounts that were
 20 involved in the audit or in the annual audit,
 21 and I believe there was a sample, generally
 22 speaking -- sample is maybe 25 accounts out
 23 of mid six figures.
 24 Q. If Coopers & Lybrand had asked you whether
 25 you had any concerns on the overall
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1 collectability of accounts, would you have
 2 informed them of those concerns?
 3 MR. LUFT: Objection.
 4 A. I don't know. Most likely the answer would
 5 be yes, but the first part of that would be I
 6 would have gone to my bosses at that time and
 7 would have informed them of what was being
 8 asked, and the first step would be to ask for
 9 guidance as far as how the situation should
 10 be handled.
 11 Q. I would like to show you what we've marked
 12 previously in this litigation Exhibit 905.
 13 For the record, Exhibit 905 is an October 11,
 14 '96, memoranda from Gregory Snow to Joseph
 15 Dionisio and Charles Morrison, Subject: Past
 16 Statute DVR.
 17 Mr. Snow, if you would take a look
 18 through that document briefly. I'll have
 19 some questions for you.
 20 A. (Witness reviews document).
 21 Okay.
 22 Q. Do you recognize this document?
 23 A. Yes.
 24 Q. Do you recall drafting it?
 25 A. Yes.
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1 Q. Can you explain generally what you're
 2 attempting to do in this document?
 3 A. The question was asked of me at the time by
 4 Mr. Dionisio to document how much was past
 5 statute, what the increase had been over a
 6 period of time and attempt to give some
 7 reasons why this took place and what was
 8 being done to try to correct the situation or
 9 make sure it doesn't happen in the future.
 10 Q. And you said in your first sentence Past
 11 statute accounts are receivables whose
 12 balances have not been resolved within
 13 predetermined time frames as set by the
 14 payors. And then you have some time frames
 15 in that table.
 16 I want to talk about each of those
 17 separately, but first talking about Medicare,
 18 where did you get this deadline for Medicare?
 19 I presume that your reference to 10-1-94 is
 20 stating that any receivables with dates of
 21 service prior to that date which have not yet
 22 been collected are past statute.
 23 A. Yes.
 24 Q. And where did you get that date?
 25 A. The Federal Register.
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1 MR. TORBORG: Why don't we mark as
 2 our next exhibit 1763.
 3 ----
 4 (Exhibit 1763 marked for identification.)
 5 ----
 6 Q. For the record what we've marked as Exhibit
 7 1763 is a section of the Federal Register,
 8 Section 424.44 -- I'm sorry. Let me restate
 9 that. 42 CFR, Section 424.44 titled Time
 10 Limits For Filing Claims, and it also has a
 11 section 42.40, but I'll be focusing on the
 12 .44 language. Have you had a chance to look
 13 at this?
 14 A. Yes.
 15 Q. Is this the Federal Regulation to which you
 16 just referred?
 17 A. Yes.
 18 Q. It says, Section 424.44, Time limits For
 19 Filing Claims. Basic limits, except as
 20 provided in paragraph (b) of this section,
 21 the claim must be mailed or delivered to the
 22 intermediary or carrier as appropriate, and
 23 then it has, (1), on or before December 31 of
 24 the following year for services that were
 25 furnished during the first nine months of a
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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<p style="text-align: right;">Page 402</p> <p>1 Q. Which other people would that be?</p> <p>2 A. I'm sorry. I don't remember specific names.</p> <p>3 Q. Mr. Snow, how much contact did you have with</p> <p>4 the AHERF board of trustees?</p> <p>5 A. None.</p> <p>6 Q. Did you ever attend any of the board of</p> <p>7 trustee meetings?</p> <p>8 A. No.</p> <p>9 Q. Were you ever at a meeting where a member of</p> <p>10 the board of trustees and Mr. Abdelhak was</p> <p>11 present?</p> <p>12 A. No.</p> <p>13 Q. Did you ever have a meeting where any of the</p> <p>14 board of trustees and Ms. Wynstra or</p> <p>15 Mr. McConnell were present?</p> <p>16 A. No.</p> <p>17 Q. Do you have any idea how much authority the</p> <p>18 board of trustees had at AHERF?</p> <p>19 A. No.</p> <p>20 Q. Now, how often did you meet with</p> <p>21 Mr. Abdelhak, Mr. Snow?</p> <p>22 A. Never.</p> <p>23 Q. You never met Mr. Abdelhak?</p> <p>24 A. No.</p> <p>25 Q. So you have no personal knowledge as to what</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 404</p> <p>1 Q. Would you discuss other issues that were</p> <p>2 going on at AHERF?</p> <p>3 A. No.</p> <p>4 Q. Would you discuss AHERF business strategy?</p> <p>5 A. No.</p> <p>6 Q. Would you discuss acquisitions AHERF was</p> <p>7 considering?</p> <p>8 A. No.</p> <p>9 Q. Did you discuss anything outside of your</p> <p>10 specific realm of responsibility, that being</p> <p>11 the Patient Financial Services Group?</p> <p>12 A. Drag racing.</p> <p>13 Q. I'm assuming drag racing did not fall into</p> <p>14 the category of information that would affect</p> <p>15 the results of AHERF; am I correct?</p> <p>16 A. Correct.</p> <p>17 Q. So outside of the Patient Financial Services</p> <p>18 Group do you have any direct personal</p> <p>19 knowledge of whether Mr. McConnell was in</p> <p>20 denial about anything else going on at AHERF?</p> <p>21 A. No.</p> <p>22 Q. Now, I believe yesterday Mr. Torborg was</p> <p>23 asking you about average payment rates in</p> <p>24 both Pittsburgh and Philadelphia. Do you</p> <p>25 recall that?</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 403</p> <p>1 Mr. Abdelhak thought about any decisions made</p> <p>2 at AHERF, do you?</p> <p>3 A. Personal direct knowledge?</p> <p>4 Q. Yes.</p> <p>5 A. No, none.</p> <p>6 Q. So you have no personal direct knowledge of</p> <p>7 whether Mr. Abdelhak was in denial or not, do</p> <p>8 you?</p> <p>9 A. No.</p> <p>10 Q. How often did you meet with Ms. Wynstra,</p> <p>11 Mr. Snow?</p> <p>12 A. Never.</p> <p>13 Q. So do you have any personal direct knowledge</p> <p>14 about whether Ms. Wynstra was in denial about</p> <p>15 what was going on at AHERF?</p> <p>16 A. No.</p> <p>17 Q. Now, I assume you met with Mr. McConnell on a</p> <p>18 fairly relatively frequent basis. About how</p> <p>19 often would you say you met with</p> <p>20 Mr. McConnell?</p> <p>21 A. Maybe three or four times per year.</p> <p>22 Q. When you met with Mr. McConnell did those</p> <p>23 meetings tend to focus on the Patient</p> <p>24 Financial Services Group?</p> <p>25 A. Yes.</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 405</p> <p>1 A. Yes.</p> <p>2 MR. TORBORG: Object to form. I</p> <p>3 believe I said payment cycles.</p> <p>4 Q. Do you recall giving testimony about average</p> <p>5 payment cycles in Pittsburgh and</p> <p>6 Philadelphia?</p> <p>7 A. Yes.</p> <p>8 Q. Do you recall saying that you believed the</p> <p>9 difference between Pittsburgh and</p> <p>10 Philadelphia was radically different?</p> <p>11 A. Yes.</p> <p>12 Q. How were they radically different?</p> <p>13 A. I believe I stated yesterday that Pittsburgh</p> <p>14 was on one to four scale for managed care</p> <p>15 penetration. Pittsburgh was maybe one or one</p> <p>16 and a half and Philadelphia was somewhere in</p> <p>17 between a three and three a and a half range.</p> <p>18 Q. Do you remember in the context of</p> <p>19 Mr. Torborg's questions he was asking you</p> <p>20 about relative average days for payment</p> <p>21 cycles for Medicare, Medicaid and various</p> <p>22 HMOs?</p> <p>23 A. Yes.</p> <p>24 Q. Would those cycles have been longer in</p> <p>25 Pittsburgh or in Philadelphia?</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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<p style="text-align: right;">Page 406</p> <p>1 A. For some payors such as Medicare they would 2 have been the same.</p> <p>3 Q. How about for HMOs?</p> <p>4 A. Generally speaking, it would be longer in 5 Philadelphia.</p> <p>6 Q. So when you say that when you were forming 7 these averages, the higher numbers of these 8 averages you would expect to come from 9 Philadelphia, not Pittsburgh; correct?</p> <p>10 A. Correct.</p> <p>11 MR. TORBORG: Object to form to the 12 last question.</p> <p>13 Q. Mr. Snow, you've testified on a couple of 14 occasions about being told you were not 15 allowed to write off Hahnemann accounts early 16 in fiscal year 1996. Do you remember that?</p> <p>17 A. I was told in September of 1995 that I could 18 not write off Delaware Valley accounts which 19 included Hahnemann.</p> <p>20 Q. Right. In September of '95 would be early in 21 fiscal year '96; correct?</p> <p>22 A. Yes.</p> <p>23 Q. Did you think that information to be 24 pertinent to your ability to perform your 25 job?</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 408</p> <p>1 was trying to do a financial analysis of the 2 receivables at AHERF.</p> <p>3 Q. Now, Mr. Snow, previously Mr. Torborg asked 4 you a number of different examples, if 5 Coopers & Lybrand would have asked for 6 information, would you have told them, and I 7 believe you said what you would have done was 8 you would have spoken to one of your 9 superiors; is that correct?</p> <p>10 A. That would have been my first step.</p> <p>11 Q. So your first step would have been to ask 12 your superiors whether you could tell Coopers 13 & Lybrand; correct?</p> <p>14 A. Correct.</p> <p>15 Q. And previously you've testified that both 16 with regard to Hahnemann accounts and with 17 regard to writing off of other accounts 18 receivable which you deemed to be 19 uncollectible, that even though you were 20 aware of that information being relevant to 21 Coopers & Lybrand, you made conscious 22 decisions not to tell them due to fear for 23 your job; correct?</p> <p>24 A. Correct.</p> <p>25 Q. And you had this fear for your job because</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 407</p> <p>1 A. Yes.</p> <p>2 Q. Did you tell Coopers & Lybrand that you were 3 not allowed to write off any accounts?</p> <p>4 A. No.</p> <p>5 Q. Did you instruct anyone else to tell Coopers 6 & Lybrand that you were not allowed to write 7 off accounts?</p> <p>8 A. No.</p> <p>9 Q. Did you think your inability to write off 10 accounts would have been information that 11 would have been pertinent to Coopers & 12 Lybrand?</p> <p>13 A. Yes.</p> <p>14 Q. If you believed that information to be 15 pertinent to Coopers & Lybrand why didn't you 16 either tell them yourself or direct someone 17 else to tell Coopers & Lybrand?</p> <p>18 A. Two reasons. Number one, as I previously 19 stated, if I had divulged that information 20 directly, I would have been, in my opinion -- 21 I would have been terminated. And the second 22 thing, they never asked.</p> <p>23 Q. But you did believe that information to be 24 important to them; correct?</p> <p>25 A. I believe it would be important to anyone who</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 409</p> <p>1 you believed that was the culture of AHERF; 2 correct?</p> <p>3 A. Correct.</p> <p>4 Q. If I could just ask you to take out Exhibit 5 823. It's an exhibit that Mr. Torborg showed 6 you yesterday. It is a March 25, '96 memo 7 from yourself to Joe Dionisio.</p> <p>8 A. Just a minute, please.</p> <p>9 Q. Sure.</p> <p>10 MR. De MONACO: Did you say 823?</p> <p>11 MR. LUFT: Yes.</p> <p>12 A. Is there another copy by any chance? Thank 13 you.</p> <p>14 Q. Okay. Do you see that there is some circled 15 text?</p> <p>16 A. Yes.</p> <p>17 Q. I believe Mr. Torborg read a portion of it to 18 you yesterday?</p> <p>19 A. Yes.</p> <p>20 Q. In fact, that sentence that you wrote reads, 21 On October 18, 1995 I was informed by 22 Mr. McConnell and yourself not to write off 23 any accounts prior to July 1, 1995, for any 24 reason without approval. Did I read that 25 correctly?</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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<p style="text-align: right;">Page 426</p> <p>1 something to me that there wasn't an issue</p> <p>2 with Russell Laing, in your opinion.</p> <p>3 A. That's correct.</p> <p>4 Q. Is that right?</p> <p>5 A. Yes.</p> <p>6 Q. I believe you also indicated that the</p> <p>7 problems he had were resolved fairly early in</p> <p>8 his career at AHERF?</p> <p>9 A. In my opinion, yes.</p> <p>10 Q. And you don't think that any of these issues</p> <p>11 dealing with his purported alcohol problem</p> <p>12 had any impact on his ability to perform his</p> <p>13 duties at AHERF?</p> <p>14 A. No, I do not believe it had any impact</p> <p>15 whatsoever.</p> <p>16 Q. You're familiar with what an aged trial</p> <p>17 balance is?</p> <p>18 A. Yes.</p> <p>19 Q. Do you recall whether or not Coopers &</p> <p>20 Lybrand received those in the course of their</p> <p>21 audits?</p> <p>22 MR. LUFT: Objection.</p> <p>23 A. I'm assuming they did because it should be --</p> <p>24 we can double-check the list of the requests,</p> <p>25 but it should be a standard part of any</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 428</p> <p>1 without prior approval. I think you said no.</p> <p>2 Given the fact that Coopers & Lybrand</p> <p>3 would get schedules that showed accounts by</p> <p>4 date and age, did you think you needed to</p> <p>5 tell them that there were a bunch of old</p> <p>6 accounts sitting on the books?</p> <p>7 MR. LUFT: Objection.</p> <p>8 A. It should have been readily apparent by</p> <p>9 looking at the aging that there was a</p> <p>10 substantial portion of the A/R over 90 days</p> <p>11 old and also in this particular case over 365</p> <p>12 days old.</p> <p>13 MR. TORBORG: I'd like to mark as</p> <p>14 another exhibit -- the topic was brought up.</p> <p>15 I think we are at 17 --</p> <p>16 MR. LUFT: 74.</p> <p>17 MR. TORBORG: 1774, some additional</p> <p>18 language from the MIM manual.</p> <p>19 - - - -</p> <p>20 (Exhibit 1774 marked for identification.)</p> <p>21 - - - -</p> <p>22 Q. I also note for the record that the</p> <p>23 underlining in the copy that you received is</p> <p>24 mine. Do you recognize this as language from</p> <p>25 the Medicare Intermediary Manual.</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 427</p> <p>1 standard audit.</p> <p>2 Q. I want to ask you, but you just referred to,</p> <p>3 I believe, the list of the audit requests?</p> <p>4 A. Yes.</p> <p>5 Q. And Exhibit 1312, which is a John Lydon</p> <p>6 April 18, 1997 memorandum, to Distribution,</p> <p>7 has a list of items to provide in their</p> <p>8 patient account receivables, and the fourth</p> <p>9 bullet is Prepare a comparative aged A/R</p> <p>10 summary by significant payor type based on</p> <p>11 date of service for outpatient and date of</p> <p>12 discharge for inpatients; right?</p> <p>13 A. Yes.</p> <p>14 Q. Given the fact that -- well, let me back up.</p> <p>15 Would you have expected Coopers & Lybrand to</p> <p>16 have reviewed that schedule?</p> <p>17 MR. LUFT: Objection.</p> <p>18 A. I didn't make judgments as far as what I</p> <p>19 expected them to do. It was our job to</p> <p>20 provide them with the information that was</p> <p>21 requested.</p> <p>22 Q. And Mr. Luft just asked you whether or not</p> <p>23 you told anyone at Coopers & Lybrand that you</p> <p>24 are not allowed to write off accounts with</p> <p>25 dates of service prior to July 1, 1995,</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 429</p> <p>1 A. Yes.</p> <p>2 Q. And do you see there it's titled Time Limits</p> <p>3 For Filing Appeals?</p> <p>4 A. Yes.</p> <p>5 Q. It says, The time limit for filing a request</p> <p>6 for reconsideration is 60 days from the date</p> <p>7 of receipt of the utilization notice or</p> <p>8 denial letter, whichever is later.</p> <p>9 A. Correct.</p> <p>10 Q. Now, Mr. Luft had just asked you some</p> <p>11 questions about the ability of Patient</p> <p>12 Financial Services to still gain payment on</p> <p>13 accounts; right?</p> <p>14 MR. LUFT: Objection.</p> <p>15 A. I believe he was asking me to confirm what he</p> <p>16 was reading from a manual with respect to</p> <p>17 time and filing deadlines. I don't think we</p> <p>18 were passing judgment on the collectibility</p> <p>19 of accounts.</p> <p>20 Q. Is the language in the MIM section I just</p> <p>21 read to you about the time limits of filing</p> <p>22 appeals consistent with your recollection?</p> <p>23 A. Yes.</p> <p>24 Q. Mr. Luft also asked you some questions about</p> <p>25 whether or not you informed Coopers & Lybrand</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>

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1 of the fact that there were accounts sitting
2 at gross in the billing system.

3 A. Yes.

4 Q. And I think you indicated that, no, you did
5 not have those conversations. Were those
6 conversations that you would have expected
7 that general accounting would have had with
8 Coopers & Lybrand?

9 MR. LUFT: Objection.

10 A. I don't know. I can't speak for general
11 accounting.

12 Q. If Coopers & Lybrand would have asked you to
13 provide a report of all account balances
14 within 90 percent of gross charges, would you
15 have provided that information?

16 A. Most likely yes, but I would have still asked
17 my superiors first before I would have given
18 that information. And if I had been told no,
19 not to do it, then I would have a moral
20 dilemma at that point.

21 Q. Do you recall whether auditors from Coopers &
22 Lybrand as part of their audits went into the
23 AHERF billing office?

24 A. Yes.

25 Q. Did they have access to the electronic
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 Tenet of certain of the Delaware Valley
2 hospitals?

3 A. It was after the acquisition by Tenet.

4 Q. Do you know what happened to the billing
5 system databases when after you left AHERF?

6 A. After.

7 MR. LUFT: Objection.

8 A. After I left, no.

9 Q. Okay.

10 A. Before I left I don't remember an exact date,
11 but I believe it was sometime in the time
12 frame of May or June, April, May, June of
13 1998.

14 What had been formerly the
15 centralized business office located in office
16 was divided into two pieces, and the staff
17 was split accordingly where half the staff
18 worked or some portion of the staff was
19 retained and working on Delaware Valley
20 accounts working directly for Tenet, and some
21 portion of the staff or myself were there to
22 work Western Region accounts.

23 Q. Was the billing inpatient account data for
24 the Eastern hospitals removed from any
25 billing database that was in Pittsburgh?

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1 billing systems?

2 A. I believe so, yes.

3 Q. To run searches and inquiries on various
4 accounts?

5 A. I believe so but I don't think that was
6 something that they did on a routine basis
7 because part of -- we would supply, again,
8 age trial balances, detailed listings of
9 accounts or what they called a detailed age
10 trial balance.

11 There would be a random selection of
12 accounts made, and then it was our
13 responsibility to provide documentation to
14 Coopers with respect to the accounts that had
15 been selected.

16 Q. But if they wanted to utilize the patient
17 accounting system, it was open to them?

18 MR. LUFT: Objection.

19 A. We would have provided security access to
20 whomever it was deemed appropriate to give
21 security access to.

22 Q. Now, you left AHERF, I believe, in November
23 of 1998?

24 A. Yes.

25 Q. Was that upon the acquisition of Tenet, by
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 A. I don't believe so.

2 Q. Do you know if Tenet Healthcare received that
3 data?

4 A. Yes.

5 Q. Do you know what happened to the -- if
6 someone wanted to see patient level
7 information for, let's say, the PATCOM
8 receivables, that system, is that available?

9 A. I believe --

10 MR. LUFT: Objection.

11 A. -- it was available on microfiche.

12 Q. When you were there it was available on
13 microfiche?

14 A. Well, up until whenever the system was shut
15 down you could view the system. But you
16 could view microfiche. The accounts were
17 archived and placed upon microfiche, I
18 believe, at that point in time.

19 Q. Where were those microfiche located?

20 A. I believe they were in Pittsburgh.

21 Q. Do you know in the billing office?

22 A. I'm sorry. I don't know. Per Medicare regs
23 you have to retain all that information for a
24 minimum of seven years.

25 Q. How about for the MCP and Hahnemann Hospitals
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 COMMONWEALTH OF PENNSYLVANIA) E R R A T A
2 COUNTY OF ALLEGHENY) S H E E T

3 I, GREGORY M. SNOW, have read the forgoing
4 pages of my deposition given on Saturday, July 26,
5 2003, and wish to make the following, if any,
6 amendments, additions, deletions or corrections:

7 Page/Line Should Read Reason for Change
8
9
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15
16
17
18
19

20 In all other respects, the transcript is true and
21 correct.

22 _____
GREGORY M. SNOW

23 Subscribed and sworn to before me this
24 _____ day of _____, 2003.

25 _____
Notary Public
AKF Reference No. Cg76137
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

J.B. Snyder Dep.

In The Matter Of:

***AHERF v.
PRICewaterhouseCOOPERS***

***J. BRANDON SNYDER
September 26, 2003***

***LEGALINK MANHATTAN
420 Lexington Avenue - Suite 2108
New York, NY 10170
PH: 212-557-7400 / FAX: 212-692-9171***

SNYDER, J. BRANDON - Vol. 1



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J. BRANDON SNYDER

<p style="text-align: right;">Page 138</p> <p>1 committee service at AHERF receiving and 2 reading management letters that were 3 distributed to you? 4 A. Yes. 5 Q. And you don't have any reason to doubt that you 6 read and received and reviewed Exhibits 168 and 7 2006 today; is that also accurate? 8 A. Correct. 9 Q. You just don't have a specific recollection now 10 of doing it, I think is your testimony? 11 A. Right, or what specifically was in it. 12 Q. All right. I understand. Let me ask you to 13 peek at Exhibit 168, the '96 management letter 14 just briefly. 15 MR. MCCLENAHAN: It's, I think, 16 Page 14 -- or I guess it starts -- the real 17 part starts at Page 17 of that. 18 MR. JONES: Yes, and, actually, 19 that's the page I'm going to ask him to look 20 at. 21 Q. Page 17 of Exhibit 168. I'm going to ask you 22 to read the revenue and accounts receivable 23 overview for me that is a part of Page 17 -- 24 A. All right. I will. 25 Q. -- Mr. Snyder, and continues on to Page 18.</p>	<p style="text-align: right;">Page 140</p> <p>1 revenue and accounts receivable overview that 2 you just read for me, and that is the 3 second-to-last paragraph on Page 17 which reads 4 as a result of our procedures, we have 5 concluded that the controls over the 6 establishment and monitoring of accounts 7 receivable reserves are designed appropriately 8 and are operating effectively so as to properly 9 adjust accounts receivable balances to their 10 estimated net realizable value. Did I read 11 that right? 12 A. I think you did. 13 Q. And what did that mean to you when you read it? 14 A. It meant to me that they were satisfied with 15 how the accounts receivable -- accounts 16 receivable was being managed. 17 Q. And if they had told you in the management 18 letter that they were dissatisfied, would that 19 have caused you concern? 20 A. Yes. 21 MR. MCDONOUGH: Object to form. 22 Q. And why is that? 23 A. Because it would obviously impact the health of 24 the -- the financial health of the hospital. 25 Q. And if it impacts the financial health, in what</p>
<p style="text-align: right;">Page 139</p> <p>1 A. All right. 2 ----- 3 (The witness reviewed the Exhibit.) 4 ----- 5 A. Okay. 6 Q. Thank you. When you received these management 7 letters on an annual basis as a part of your 8 board and committee service at AHERF, what did 9 you understand the purpose of the presentation 10 of the letter to the board member was? 11 MR. MCDONOUGH: Object to form. Go 12 ahead, Mr. Snyder. 13 A. Well, I'm not sure that there was a stated 14 purpose, but for me, it gave an overview of the 15 auditor's feeling on how the health of the 16 hospital system was, and if there were any 17 problems, they were stated, and even specific 18 problems to accounts receivable, so not only 19 looking at statements themselves, it was a help 20 to me to read their comments. 21 Q. And when you say the statements, you mean the 22 audited financial statements? 23 A. Correct. 24 Q. And I'm going to ask you to now turn your 25 attention to a specific paragraph in the</p>	<p style="text-align: right;">Page 141</p> <p>1 way in your understanding? 2 A. Either receivables are written off because 3 they're uncollectible or the aging gets so far 4 out that -- that the timing issue comes in of 5 the cash coming in versus your payments going 6 out, things like that. 7 Q. And am I right that the operating revenue 8 stream for a health care organization is part 9 and parcel of the accounts receivable process? 10 A. Absolutely. 11 Q. If you had learned that Coopers & Lybrand in 12 its management letter was dissatisfied with 13 accounts receivable controls or management at 14 AHERF, did you have any options as a board 15 member about what to do about it? 16 MR. MCDONOUGH: Object to form. 17 A. Yes. First of all, you could talk with other 18 board members and you could also confront 19 management to explain what that meant. 20 Q. And if you didn't like their explanations, did 21 you have other options? 22 A. I think the options would be as a board to take 23 action. I'm not sure as an individual I had 24 options, but -- 25 Q. Right. But the board had options?</p>

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- 1 A. Correct.
- 2 Q. And they could include up to and including a
- 3 determination that perhaps management needed to
- 4 be changed if they couldn't handle the
- 5 situation?
- 6 A. That's correct.
- 7 Q. You would have read these management letters in
- 8 your board service at or about the time you
- 9 received them; is that fair to say?
- 10 A. Correct.
- 11 Q. And they're -- as we can see from their dates,
- 12 they appear to be typically dated and
- 13 dispatched in the fall of the year. Does that
- 14 meet with your recollection?
- 15 A. Correct.
- 16 Q. The fall of the year following the fiscal year
- 17 about which the management letter is directed?
- 18 A. Correct.
- 19 Q. I'm going to ask you to look back to the
- 20 financial statements we looked at earlier
- 21 today, Mr. Snyder, and I'm going to start with
- 22 the fiscal year '95 statements which I think
- 23 you'll find at Exhibit 1226 and then go to
- 24 Exhibit 1661 which are the '96 statements.
- 25 A. Okay. I got you.

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- 1 Q. I'm going to turn your attention first to the
- 2 Exhibit 1226, the fiscal year '95 audited
- 3 financial statements. Do you recall each year
- 4 it was typical that you would receive the
- 5 audited financial statements in the fall of the
- 6 year as well after the fiscal year for which
- 7 they contained information?
- 8 A. Correct. Yes.
- 9 Q. And you would review them upon their receipt?
- 10 A. That's right.
- 11 Q. And you used the audited financial statements
- 12 in what way in your board and committee
- 13 service?
- 14 A. To review the -- you know, the health of the
- 15 organization, how it had done the previous
- 16 year, and also you would rely upon those
- 17 statements because they weren't internal
- 18 statements. They were audited statements, and
- 19 therefore you felt you could rely upon them to
- 20 be the gospel.
- 21 Q. And that was because they were audited
- 22 financial statements?
- 23 A. Correct.
- 24 Q. What did you see the role of the independent
- 25 outside auditor like Coopers & Lybrand for

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- 1 AHERF?
- 2 A. Well, they were an unbiased party or should be
- 3 an unbiased party who is looking at the
- 4 financial health of the organization and its
- 5 management, and they were essentially guides
- 6 for the board to go by.
- 7 Q. Did you rely on them in discharging your board
- 8 and committee duties, the auditors?
- 9 A. Certainly.
- 10 Q. And you relied on the statements each year?
- 11 A. Certainly.
- 12 Q. And what was the value to AHERF of the
- 13 auditors' clean opinion with the audited
- 14 financial statements each year?
- 15 A. Well, I guess I'd say if they did not issue a
- 16 clean opinion, that meant there was something
- 17 in there that they thought was wrong for one
- 18 reason or another or fraudulent or numbers that
- 19 you couldn't rely upon. So if you had a clean
- 20 opinion, you could rely upon the figures you
- 21 had been seeing all year.
- 22 Q. And did that give you comfort, then, the clean
- 23 opinion on the numbers each year, in using
- 24 those financial statements as a guide to
- 25 discharge your duties on the finance committee

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- 1 and on the board generally?
- 2 A. Absolutely.
- 3 - - - -
- 4 (There was a brief pause in the proceedings.)
- 5 - - - -
- 6 Q. Mr. Snyder, before I call your attention to a
- 7 few items in the financial statements, and I
- 8 promise to do that fairly promptly, I wanted to
- 9 revisit for you your statement earlier in the
- 10 day, actually quite early in the day, about
- 11 what you saw the role of the finance committee
- 12 at AHERF to be, and I think you used terms like
- 13 or phrases like looking over the financial
- 14 condition of the enterprise and if something
- 15 was wrong to do something about it, and that
- 16 might include confronting management on items.
- 17 Do you recall that testimony generally?
- 18 A. Yes, I do.
- 19 Q. Did you use the audited financial statements as
- 20 a part of the method by which you looked over
- 21 the financial condition of the enterprise?
- 22 A. Yes.
- 23 Q. And did you also use those financial statements
- 24 each year including fiscal year '96 and '97
- 25 while you were still a part of the enterprise

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- 1 Q. Did you ever see anything in the financial
2 statements, the audited financial statements
3 that you reviewed, that led you to believe that
4 the AHERF system was incapable or soon to be
5 incapable of funding those losses at AIHG?
- 6 A. No.
- 7 Q. You said that in discussions with management,
8 you learned from Mr. Abdelhac that there --
9 there was projected to be substantial losses in
10 early years at AIHG. Do you recall that
11 testimony?
- 12 A. Yes.
- 13 Q. Do you recall now today ever having an
14 understanding of the extent of the projected
15 losses?
- 16 A. I don't recall today. I don't think -- I don't
17 think Mr. Abdelhac duped us or intentionally
18 lied to us about it.
- 19 Q. I understand that. That's not my question. My
20 question is do you recall ever having been
21 given a specific number or a specific time
22 period for the --
- 23 A. No.
- 24 Q. -- incurring of such losses?
- 25 A. No, but I might have been.

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- 1 Q. When you were shown the plans in the financial
2 commitment that was expected for AIHG, did you
3 anticipate that it would have financial rewards
4 as well?
- 5 A. I think the anticipation was that it would
6 enhance the revenue of the hospitals. I think
7 that was the goal, not necessarily that it was
8 going to be tremendously successful, but the
9 revenue stream coming into the hospitals from
10 the referrals would outweigh whatever losses
11 AIHG was going to have and that it was a
12 necessary thing to do in the health care
13 environment of those days.
- 14 Q. And you learned that from management?
- 15 A. Yes.
- 16 Q. Do you recall -- I know -- I think you
17 testified at the outset that when you first
18 learned of the AIHG proposals or business
19 plans, that you did not recall objections from
20 the board or committee members with whom you
21 served to it or to those plans?
- 22 A. That's right.
- 23 Q. Do you recall that as these losses were noted
24 in either board meetings or committee meetings,
25 that there came to be a time when some on the

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- 1 board, perhaps yourself included, did question
2 the continuing viability of the plan?
- 3 A. I do not.
- 4 Q. Do you recall yourself ever formulating that
5 question?
- 6 A. I do not.
- 7 Q. I want to take you back now to the role of
8 Coopers & Lybrand and the auditors in the
9 preparation of financial statements, management
10 letters and their other duties. During the
11 time of your board service and committee
12 service at AGH and AHERF, did you expect that
13 Coopers & Lybrand would bring to the board or
14 the committee's attention material
15 misstatements in the financial statements that
16 had been presented to them for audit?
- 17 A. Yes.
- 18 Q. Did you expect Coopers & Lybrand to bring to
19 the board or the committee's attention
20 intention misstatements by management in
21 financial statements?
- 22 A. Yes.
- 23 Q. Did you expect Coopers & Lybrand to bring any
24 concerns they had regarding the competence of
25 financial management to the board or the

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- 1 committee's attention?
- 2 A. I don't know. That's a hard one. I think
3 that's more subject active. How far would they
4 go? I don't know.
- 5 Q. Well --
- 6 A. Talking about fraud, I think they're going to
7 do it.
- 8 Q. Well, let me ask the next question then. The
9 next question is if they had concerns about the
10 integrity of financial management or fraud, you
11 expected those to be brought to your attention?
- 12 A. Absolutely.
- 13 Q. And the question previous was to financial
14 management's competence or ability to
15 adequately do the job. If they had questions
16 about that, at least at the senior levels of
17 internal financial management, did you expect
18 to hear about it from the auditors?
- 19 A. I guess so.
- 20 Q. Did C and L ever raise those matters with you?
- 21 A. No.
- 22 Q. Or any committee or board that you were a
23 member of?
- 24 A. Did Coopers & Lybrand ever -- no, they never
25 did.

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1 Q. Did you ever yourself question during your
2 board service or your committee service at
3 AHERF or Allegheny General the integrity or
4 competence of Mr. Abdelhac or Mr. McConnell?
5 A. I did not.
6 Q. Did you yourself ever question the
7 integrity -- integrity or competence of
8 Coopers & Lybrand?
9 A. I did not.
10 Q. Did you ever question yourself or did you ever
11 learn of questions from anybody else on the
12 committees and boards at AHERF on which you
13 served the accuracy of the audited financial
14 statements that you received and reviewed each
15 year?
16 A. No.
17 Q. If Coopers & Lybrand had come to the board or
18 the finance committee in fiscal year 1996 or
19 1997 and told you that the financial statements
20 that were presented to them for audit by
21 management were materially misstated and that C
22 and L was therefore issuing an adverse opinion
23 on those statements, would that have concerned
24 you?
25 MR. MCDONOUGH: Objection.

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1 A. Is it certainly would.
2 Q. And why is that?
3 A. Because it would tell you that if true,
4 management could not be trusted.
5 Q. All right. Would it also throw into question
6 the financial performance of the enterprise?
7 A. Certainly.
8 Q. And both of those things would be troubling?
9 A. Absolutely.
10 Q. If you learned that from the auditors, did you
11 have options?
12 A. Certainly. You could confront management
13 and -- along within the board and find out what
14 they had to say, and if they truly had
15 committed fraud, they would be fired.
16 Q. Did you also have the opportunity to ask the
17 auditors to expand the scope of their work?
18 A. Yes, you would, sure.
19 Q. Or to hire additional consultants for
20 assistance?
21 A. Yes. I'm sure you could have. It's never
22 happened to me before, so I didn't think of
23 that, but, sure, you could.
24 Q. It would have been an unfortunate set of
25 circumstances?

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1 A. Right.
2 Q. Would you as a board member, a committee member
3 have acted in your view prudently to address
4 any concerns raised by the inquiries you just
5 suggested?
6 A. What I --
7 MR. MCDONOUGH: That who just
8 suggested?
9 MR. JONES: I asked him what his
10 options were and he gave me some options.
11 MR. MCDONOUGH: But the options were
12 based upon a hypothetical question.
13 MR. MCLENAHAN: Could I ask you to
14 rephrase the question?
15 Q. I can rephrase the question.
16 A. Yeah. That was a tough --
17 Q. I'm sorry, and I didn't mean for it to be. Let
18 me rephrase it. We have discussed a number of
19 options here today in the last few moments that
20 were available to board and committee members
21 like yourself should Coopers & Lybrand or had
22 Coopers & Lybrand come forward with a -- with
23 an adverse opinion on the financial statements
24 in the 2 fiscal years we referenced; right?
25 A. I understand that.

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1 Q. That's the predicate.
2 A. I got it.
3 Q. Great. The only question I have now is do you
4 have any doubt that you would have acted on --
5 in the most prudent course you knew to conduct
6 based on the results of those options?
7 A. I have no doubt.
8 MR. MCDONOUGH: Object to form.
9 Q. And would you have pursued the inquiry
10 diligently?
11 A. Yes.
12 MR. MCDONOUGH: Object to form.
13 Q. And chosen the option with your colleagues that
14 you felt most appropriate?
15 A. Yes.
16 Q. You wouldn't have ignored the situation?
17 A. Correct.
18 Q. If C and L, or Coopers & Lybrand, had told you
19 that the fiscal year 1996 or 1997 financial
20 statements presented for audit had been
21 intentionally misstated by management, would
22 that have concerned you as well?
23 A. Yes, it would.
24 Q. You would have had similar options available to
25 you?

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- 1 A. Yes.
- 2 Q. You would have followed the course you thought
- 3 most prudent at the time?
- 4 A. Yes.
- 5 Q. If C and L had told you that net income on the
- 6 fiscal year 1996 statement of operations, the
- 7 income statement presented for their audit had
- 8 been overstated contrary to generally accepted
- 9 accounting principles by \$80 million or more,
- 10 would that have caused you concern?
- 11 A. Yes.
- 12 Q. And you would have had the same kinds of
- 13 options?
- 14 A. Yes.
- 15 Q. And you would have followed them to their
- 16 logical conclusion?
- 17 A. Yes.
- 18 Q. If Coopers & Lybrand had told you that the net
- 19 income -- or that net income on the fiscal year
- 20 1997 statement of operations presented for
- 21 audit had been overstated contrary to GAAP,
- 22 again, by more than a hundred million dollars,
- 23 I presume that would have caused you concern as
- 24 well?
- 25 A. It would.

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- 1 Q. And you would have had the same options?
- 2 A. Correct.
- 3 Q. And would have followed them in the same way?
- 4 A. Yes.
- 5 Q. If Coopers & Lybrand had informed you that the
- 6 fiscal year 1996 or 1997 financial statements
- 7 presented for their audit were the product of
- 8 fraudulent conduct or suspected fraudulent
- 9 conduct -- conduct on the part of financial
- 10 management, would that have concerned you as
- 11 well?
- 12 A. Yes, it would.
- 13 Q. And you would have had at least the same
- 14 options available to you?
- 15 A. Yes.
- 16 Q. And you would have inquired and investigated
- 17 until you were satisfied that you understood
- 18 the situation?
- 19 MR. MCDONOUGH: Object to form.
- 20 A. Yes.
- 21 Q. Can you think of additional options you had
- 22 available to you other than those we've
- 23 discussed if that were the case?
- 24 MR. MCCLENAHAN: Well, you say if
- 25 that were the case. If what were the case?

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- 1 Q. If the last set of facts I posited were the
- 2 case, that is that Coopers & Lybrand had come
- 3 to you and told you that the '96 or '97
- 4 financial statements were the product of fraud
- 5 or suspected fraud.
- 6 A. You know, if it was bad enough, I suppose the
- 7 authorities would be brought in.
- 8 Q. Would an adverse opinion on the financial
- 9 statements in fiscal year 1996 have caused you
- 10 concern about the prudence of going forward
- 11 with any additional hospital acquisitions?
- 12 A. It could have.
- 13 Q. Would it also be true that it would have caused
- 14 you concern about going forward with any
- 15 additional physician practice acquisitions?
- 16 MR. MCDONOUGH: Object to form.
- 17 A. It could have.
- 18 Q. Were you ever told by the auditors or did you
- 19 ever see anything in the audited financial
- 20 statements that led you to believe that the
- 21 acquisition of the Graduate Hospitals could
- 22 threaten AHERF's ongoing financial viability?
- 23 A. No.
- 24 Q. Were you ever told by the auditors or did you
- 25 ever believe from a review of the audited

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- 1 financial statements that the continuing
- 2 acquisition of physician practices could
- 3 threaten the financial viability of AHERF?
- 4 A. No.
- 5 Q. Were you ever made aware either through the
- 6 public press or otherwise, Mr. Snyder, that
- 7 there was a -- there was an announcement by
- 8 AHERF, PriceWaterhouseCoopers and AHERF
- 9 management that the 1997 financial statements
- 10 should be the subject of no further reliance by
- 11 its -- by any readers?
- 12 A. This is the first I've heard of it.
- 13 Q. And when I cite PriceWaterhouseCoopers, did you
- 14 ever come to understand that the former Coopers
- 15 & Lybrand firm merged with the Price Waterhouse
- 16 firm?
- 17 A. Yes. I'm aware of that.
- 18 MR. JONES: I believe that's all I
- 19 have.
- 20 - - - -
- 21 RE-EXAMINATION
- 22 - - - -
- 23 BY MR. MCDONOUGH:
- 24 Q. Mr. Snyder, a few followup questions.
- 25 Mr. Jones repeatedly went through questions